

---

## FISCAL UPDATE Article

Fiscal Services Division

February 13, 2018



---

Ground Floor, State Capitol Building

Des Moines, Iowa 50319

515.281.3566

### LSA GENERAL FUND BALANCE SHEET UPDATE (FEBRUARY 2018)

**Revised Revenue Estimates.** The Revenue Estimating Conference (REC) held an informational meeting on February 9 to receive updated information from the Iowa Department of Revenue on the impact of the federal [Tax Cuts and Jobs Act](#) signed into law on December 22, 2017. The initial analysis by the Department estimated that net State tax revenues would increase by \$11.2 million in FY 2018 and \$110.8 million in FY 2019. The Department's latest analysis includes preliminary data on the impact of corporate taxes and behavioral changes observed among individual income tax filers. The revised estimates have been increased to \$33.0 million in FY 2018 and \$148.0 million in FY 2019.

Additional information on the impact of the federal tax law changes on the State budget is provided in the Legislative Services Agency (LSA) report [Summary of FY 2018 and FY 2019 Budget and Governor's Recommendations](#). The LSA will continue to monitor the potential impact of the Tax Cuts and Jobs Act as more information becomes available.

**Updated Balance Sheet.** The General Fund balance sheet included in this update incorporates the Department of Revenue's revised revenue estimates associated with the federal tax law changes.

**Fiscal Year 2018 Budget Update.** The current estimate of total available funds for FY 2018 is \$7.271 billion, which includes the December REC estimate and the \$33.0 million increase associated with the federal tax law change. The General Assembly enacted appropriations totaling \$7.265 billion for FY 2018. The appropriations have been adjusted to reflect a required \$13.0 million appropriation to the Economic Emergency Fund and estimated supplemental appropriation needs of \$2.2 million.<sup>1</sup> The estimated shortfall for FY 2018, prior to any legislative action, is \$3.8 million.

**Fiscal Year 2019 Budget Projection.** The FY 2019 projection is intended to assist the General Assembly in evaluating budget decisions for the next fiscal year. The appropriation estimates for FY 2019 are largely based on the following assumptions:

- The FY 2019 REC revenue estimate of \$7.527 billion is the basis for the LSA FY 2019 projection. The REC estimate is based on tax laws and other revenue policies in place at the time the estimate was adopted.
- An increase of \$148.0 million associated with the Department of Revenue's latest estimate for the federal tax law changes.
- The expenditure limitation for FY 2019 is estimated to be \$7.598 billion, which represents 99.0% of the estimated available revenues (\$7.675 billion).
- The enacted appropriations from FY 2018 (\$7.269 billion) are used as the baseline for FY 2019 appropriations.
- The LSA's estimated built-in and anticipated expenditure increases for FY 2019 total \$251.0 million, and remain unchanged from January. Additional information on the FY 2019 built-in and anticipated expenditures is available [here](#).

---

<sup>1</sup> The estimated FY 2018 appropriations have been adjusted to reflect the repayment of \$13.0 million in FY 2018 for the FY 2017 transfer from the Economic Emergency Fund to the General Fund. The adjustments also include estimated supplemental appropriations of \$1.7 million for Indigent Defense costs, and \$450,000 for increased utility expenses on the Capitol complex.

- Reversions are estimated to total \$5.0 million for FY 2019. Reversions are appropriated funds that remain unexpended at the close of the fiscal year and are deposited back in the General Fund.

The table below shows the projected General Fund budget for FY 2019 based on the above assumptions. The projected appropriations that total \$7.520 billion are \$78.6 million below the estimated expenditure limitation. The FY 2019 General Fund surplus is projected to total \$160.4 million.

<b>State of Iowa</b> <b>Projected Condition of the General Fund Budget</b> <b>February 2018</b> (Dollars in Millions)			
	Actual FY 2017	Estimated FY 2018	LSA Projection FY 2019
<b>Funds Available:</b>			
Net Receipts	\$ 7,095.9	\$ 7,237.5	\$ 7,527.0
Cash Reserve Transfer	131.1	0.0	0.0
Economic Emergency Fund Transfer	13.0	0.0	0.0
Net General Fund Receipts	<u>7,240.0</u>	<u>7,237.5</u>	<u>7,527.0</u>
Federal Tax Law Adjustment	0.0	33.0	148.0
Surplus Carryforward	18.2	0.0	0.0
<b>Total Funds Available</b>	<u>\$ 7,258.2</u>	<u>\$ 7,270.5</u>	<u>\$ 7,675.0</u>
<b>Expenditure Limitation</b>			<b>\$ 7,598.3</b>
<b>Estimated Appropriations and Expenditures:</b>			
Enacted Appropriations/FY 2019 Baseline	\$ 7,350.6	\$ 7,268.6	\$ 7,268.6
Transfer to Economic Emergency Fund	0.0	13.0	0.0
Adjustments to Standings	1.1	- 4.1 <sup>1</sup>	0.0
Supplemental/Deappropriations	- 88.2	2.2 <sup>2</sup>	0.0
Built-in and Anticipated Increases	0.0	0.0	251.0
Total Before Balance Adjustment	7,263.5	7,279.7	7,519.6
Adjustment to Balance Budget	0.0	- 3.8	0.0
<b>Total Appropriations</b>	<u>\$ 7,263.5</u>	<u>\$ 7,275.9</u>	<u>\$ 7,519.6</u>
Reversions	- 5.3	- 5.4	- 5.0
<b>Net Appropriations</b>	<u>\$ 7,258.2</u>	<u>\$ 7,270.5</u>	<u>\$ 7,514.6</u>
<b>Ending Balance – Surplus</b>	<u>\$ 0.0</u>	<u>\$ 0.0</u>	<u>\$ 160.4</u>
<sup>1</sup> The FY 2018 school aid standing appropriation was adjusted downward by \$4.1 million as a result of finalized formula factors.			
<sup>2</sup> The estimated supplemental appropriations include \$450,000 for increased utility expenses on the Capitol complex and \$1.7 million for State Public Defender Indigent Defense costs. These amounts reflect the supplemental funding levels included in SF 2117 and HSB 648. Final action on the supplemental appropriations is still pending. The LSA's January estimate included a \$6.5 million supplemental need for Child Care Assistance, \$2.3 million for Medicaid, and \$2.0 million Indigent Defense costs.			

LSA Staff Contact: Dave Reynolds (515.281.6934) [dave.reynolds@legis.iowa.gov](mailto:dave.reynolds@legis.iowa.gov)